

Message Text

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ACTION ARA-14

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 2526

C O N F I D E N T I A L SECTION 1 OF 2 CARACAS 5014

E.O. 11652: GDS

TAGS: BEXP, VE

SUBJECT: GOV SUGGESTS CONSULTATIONS ON TRADE AND ECONOMIC
ISSUES

REF: STATE 132915

SUMMARY. MINISTER OF THE PRESIDENCY, CARMELO LAURIA, AND
DIRECTOR OF FOREIGN TRADE INSTITUTE, REINALDO FIGUEREDO,
MET WITH THE AMBASSADOR MAY 31 AT THEIR REQUEST. PURPOSE OF
THE MEETING WAS TO SUGGEST WORKING-GROUP CONSULTATIONS ON
A RANGE OF TRADE AND ECONOMIC ISSUES WHICH WOULD FACILITATE
COORDINATION ON TRADE POLICIES AND COOPERATION IN ECONOMIC
INTERGRATION EFFORTS, AND COULD IMPROVE US PARTICIPATION IN
VENEZUELAN DEVELOPMENT PROJECTS. LAURIA STATED AN
UNAMBIGUOUS PREFERENCE FOR THE US TO BECOME THE MAJOR SUPPLIER
OF TECHNOLOGY AND CAPITAL EQUIPMENT TO VENEZUELA, AND
IMPLIED THAT DISCUSSIONS, PLANNING AND EARLY COORDINATION
WOULD FAVOR SUCH US PARTICIPATION. EMBASSY RECOMMENDS THAT
WE HOLD SUCH CONSULTATIONS. END SUMMARY.

1. ON MAY 31, AMBASSADOR MET WITH MINISTER OF THE
PRESIDENCY, CARMELO LAURIA, AND DIRECTOR OF FOREIGN TRADE
INSTITUTE, REINALDO FIGUEREDO, AT THEIR INVITATION. THE
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MEETING WAS A FOLLOW-UP TO CONVERSATIONS FIGUEREDO HAD
HAD WITH THE AMBASSADOR EARLIER AND TO HIS CONVERSATIONS
IN WASHINGTON.

2. LAURIA BEGAN BY NOTING THAT THE "DIVERSIFICATION" IN
SUPPLY OF TECHNOLOGY AND CAPITAL EQUIPMENT TO VENEZUELA
HAS IN HIS OPINION BEEN AN IMPEDIMENT TO DEVELOPMENT. IT

HAS RESULTED IN A HODGE-PODGE OF EQUIPMENT, PARTS AND TECHNOLOGY. LAURIA SAID THAT IN HIS VIEW THE US SHOULD BE THE MAJOR SUPPLIER OF CAPITAL EQUIPMENT AND TECHNOLOGY TO VENEZUELA. THERE WERE A NUMBER OF REASONS WHY THE US LOST OUT ON SOME OF THE MAJOR PROJECTS, INCLUDING US COMPANIES' TIMIDITY, HIGHER PRICES AND MORE ONEROUS CONDITIONS. THE METRO BIDDING WAS CITED AS AN EXAMPLE OF BEING "TOO LATE." ON THE GOV SIDE, THE VENEZUELAN HAD NOT ALWAYS KNOWN HOW TO APPROACH US COMPANIES. THE MINISTER CITED THE TAR BELT AS AN EXAMPLE OF AN AREA WHERE VENEZUELA WOULD BASICALLY LIKE TO HAVE A CONNECTION WITH THE US IF THE RIGHT FORMULA COULD BE FOUND. PETROCHEMICALS IS ANOTHER AREA. IF THERE WERE SOME WAY OF BEING ABLE TO DISCUSS AND COORDINATE PLANS, PROJECTS AND OPPORTUNITIES, PARTICIPATION BY THE US IN VENEZUELAN DEVELOPMENT COULD BE INCREASED.

3. LAURIA SAID THAT HE REALIZED THAT THE USG DID NOT GOVERN OR CONTROL THE RESPONSES OF US COMPANIES, AS IN THE CASE OF SOME OTHER COUNTRIES. NEVERTHELESS, HE THOUGHT THE USG COULD DO A GREAT DEAL IN TERMS OF "ORIENTING" COMPANIES SO AS TO IMPROVE COMPANIES' RESPONSES TO VENEZUELAN NEEDS AND OPPORTUNITIES. HE SAID WE SHOULD FIND WAYS OF "DISCUSSING" DEVELOPMENT PLANS TOGETHER EARLY ON. HE SUGGESTED A MEETING OF JOINT WORKING GROUPS TO GO OVER THESE MATTERS.

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4. FIGUEREDO THEN DISCUSSED TRADE PROBLEMS GENERALLY, INCLUDING THE TREMENDOUS SURGE IN IMPORTS WHICH HAS ADVERSELY AFFECTED VENEZUELA'S BALANCE OF PAYMENTS. HE NOTED THE DIFFERENT CONCEPTUAL APPROACHES TO TRADE ISSUES (REFTEL). HE STRESSED THE IMPORTANCE OF THE ANDEAN PACT AND ECONOMIC INTEGRATION AND URGED THAT THE US (AND US COMPANIES) SUPPORT RATHER THAN FIGHT INTEGRATION. IF IT ACCEPTED THE PACT AS AN ENTITY AND DEALT WITH IT BOTH IN TERMS OF INVESTMENT AND TRADE ISSUES, HE SAID, THE US COULD IMPROVE ITS POSITION.

5. FIGUEREDO REFERRED SEVERAL TIMES TO HIS FRUITFUL DISCUSSIONS WITH DEPARTMENT OF COMMERCE OFFICIALS (REFTEL) AND WITH GUY ERB, NSC. (HE WAS APPARENTLY VERY IMPRESSED AND PLEASED WITH THESE DISCUSSIONS.) HE THOUGHT THAT AN EFFORT WAS NEEDED TO CRYSTALLIZE AND MAKE EFFECTIVE OUR ECONOMIC RELATIONSHIPS AND INTERACTIONS. HE AGREED WITH THE AMBASSADOR'S OBSERVATION THAT ALL THE DIFFERENT DIMENSIONS RELATED TO EACH OTHER, I.E., BILATERAL TRADE ISSUES RELATED TO GLOBAL MTN ISSUES; INVESTMENT AND INTEGRATION SHOULD BE THOUGHT OF IN TERMS OF LARGER

FRAMEWORKS.

6. THE AMBASSADOR SUGGESTED THAT ONE OF THE THINGS SORELY NEEDED WAS A CLEAR EXPOSITION OF POINTS OF VIEW SO THAT EACH SIDE COULD BE SURE THAT IT HAD AN ACCURATE PERCEPTION OF THE OTHER'S CONCERNS AND CONCEPTIONS. OFTEN WHAT HAPPENED WAS THAT WE TALKED PAST EACH OTHER OR MISPERCEIVED THE OTHER'S VIEWS OR UNDERSTANDINGS AND THEREFORE ACTED ON MISTAKEN ASSUMPTIONS. HENCE, WE OFTEN FAILED EVEN TO DEFINE ACCURATELY WHAT THE PROBLEMS, ISSUES OR OPPORTUNITIES WERE. HENCE, THE AMBASSADOR SUGGESTED, PERHAPS AN INITIAL EXAMINATION OR TOUR D'HORIZON OF DESIGNATED POINTS AND SECTORS WOULD BE USEFUL, AND WOULD ENABLE US TO DEFINE JUST WHAT THE SITUATION AND OPPORTUNITIES WERE. BOTH
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LAURIA AND FIGURERDO URGED SUCH CONSULTATIONS.

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 2527

C O N F I D E N T I A L SECTION 2 OF 2 CARACAS 5014

7. FIGUEREDO ALSO REFERRED TO PREVIOUS CONVERSATIONS WITH THE AMBASSAOR WHEN HE HAD NOTED THAT US-VENEZUELAN RELATIONS WERE VERY GOOD AND THAT THE PRESIDENTIAL EXCHANGES HAD BEEN CONDUCIVE TO RESOLVING PROBLEMS AND STRENGTHENING TIES. HOWEVER, FIGUEREDO HAS MAINTAINED, SOMETHING IS MISSING. EXPECTATIONS RAISED BY THE PRESIDENTIAL MEETINGS ARE NOT BEING FULFILLED AND FOLLOW-UP IS DILATORY. WE ARE, HE BELIEVES, MISSING OPPORTUNITIES, AND TEND TO VIEW

INDIVIDUAL ASPECTS OF OUR RELATIONS IN ISOLATION, NOT RELATING THEM TO THE OVER ALL FRAMEWORK. EVEN WHEN WE TALKED ABOUT THE ISSUES, HE HAS STATED, WE TEND NOT TO PRECIPITATE ACTION TO CONCRETE LEVELS AT WHICH DECISIONS CAN BE TAKEN.

8. COMMENT: IN BOTH THESE EARLIER OCCASIONS, IN WASHINGTON, AND IN THE LAURIA-FIGUEREDO MEETING, THE GOV HAS IN EFFECT PROPOSED CONCRETE CONSULTATIONS ON A RANGE OF ECONOMIC AND TRADE MATTERS. LAURIA IS PROBABLY THE MOST POWERFUL SINGLE MEMBER OF THE CABINET; FIGUEREDO IS INCREASINGLY THE CENTRAL OPERATIONAL FIGURE IN INTERNATIONAL ECONOMIC MATTERS (E.G., MTN, ANDEAN PACT, CARIBBEAN DEVELOPMENT) AND IS CLOSE TO AND TRUSTED BY THE PRESIDENT (HE IS THE ONLY NON-CABINET MEMBER THAT THE PRESIDENT INCLUDED IN HIS CONVERSATIONS WITH PRESIDENT CARTER).
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HENCE, THEIR APPROACH TO THE AMBASSADOR IS A SIGNIFICANT ONE.

9. THERE IS A SLIGHT DIFFERENCE IN FOCUS BETWEEN LAURIE AND FIGUEREDO. THE LATTER IS INTERESTED PRIMARILY IN DEVELOPING BETTER MODUS OPERANDI IN TRADE MATTERS AND POLICIES TO AVOID CLASHES LATER; HE IS ALSO INTERESTED IN PUSHING ANDEAN PACT INTEGRATION. LAURIA IS PRIMARILY INTERESTED IN GETTING GREATER US SUPPORT FOR DEVELOPMENT PROJECTS. MOST INTERESTING OF ALL--AND NEVER REALLY ARTICULATED BEFORE--WAS HIS VIRTUAL INVITATION FOR THE US TO BECOME THE MAJOR SUPPLIER OF TECHNOLOGY AND CAPITAL EQUIPMENT (NOT NECESSARILY EQUITY INVESTMENT).

10. WE BELIEVE, THEREFORE, THAT WE HAVE A SIGNIFICANT OPPORTUNITY HERE BOTH TO ACHIEVE LARGER TRADE POLICY GOALS AND TO IMPROVE US PARTICIPATION IN VENEZUELA'S FOREIGN TRADE AND DEVELOPMENT PROJECTS. WE RECOMMEND THAT WE ESTABLISH AN INTER-AGENCY GROUP TO MEET WITH THE VENEZUELANS AND DEFINE WHAT OUR OPPORTUNITIES, DIFFERENCES AND PROBLEMS ARE ALONG A WHOLE RANGE OF TRADE ISSUES.

11. ACTION REQUESTED: THAT WE ESTABLISH SUCH A TASK FORCE AND INVITE THE GOV TO SEND A TEAM TO WASHINGTON FOR SUCH CONSULTATIONS; THAT WE BE AUTHORIZED TO OBTAIN GOV IDEAS FOR AN AGENDA FOR SUCH TALKS.
VAKY

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